

AMENDED IN SENATE APRIL 13, 2009

SENATE BILL

No. 130

Introduced by Senator Denham
(Coauthor: Assembly Member Caballero)

February 9, 2009

An act relating to the King City Joint Union High School District, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 130, as amended, Denham. King City Joint Union High School District.

(1) Existing law provides for emergency apportionments to school districts subject to specified conditions including, in certain circumstances, the repayment of an emergency loan over a period of no more than 10 years and the appointment by the Superintendent of Public Instruction of an administrator who would exercise the powers and responsibilities of the governing board of the school district.

This bill would *express the intent of the Legislature to provide emergency apportionment assistance to the King City Joint Union High School District*, and require the Superintendent of Public Instruction to assume all the rights, duties, and powers of the governing board of the King City Joint Union High School District and to appoint, in consultation with the Monterey County Superintendent of Schools, ~~an~~ *a state* administrator to act on behalf of the Superintendent of Public Instruction in exercising the superintendent's authority over the school district. ~~The bill would require the administrator to be deemed an employee of the school district for certain purposes.~~

~~The bill would require the governing board of the school district to serve as an advisory body reporting to the administrator and prohibit its members from receiving any compensation during the period of the superintendent's authority over the district. The bill would authorize the administrator to terminate the employment of certain district personnel, as provided. The bill would authorize the administrator, with the approval of the superintendent, to enter into agreements on behalf of the district and to change any existing district rules, regulations, policies, or practices, as provided.~~

The bill would continue the authority of the superintendent and the *state* administrator over the school district until certain enumerated conditions are met, including the completion of assessment and improvement plans for the school district.

~~The bill would require the administrator to consider, on a monthly basis or more frequently if desired, information from one or more specified groups. The bill would require the County Office Fiscal Crisis and Management Assistance Team (FCMAT) to prepare, by November 1, 2009, an improvement plan for the school district. The bill would require the FCMAT, commencing 30 days following the effective date of this bill and in January 2010 and at least every 6 months thereafter, to file a status report with specified persons on progress made by the district in implementing the plan~~ *provide specified assistance relating to the development of a multiyear financial recovery plan, the preparation of budget reports, and the recommendation of activities that could enhance revenue or achieve cost savings.*

The bill would require the school district to bear 100% of ~~all~~ costs associated with implementing ~~its~~ *the provisions of the bill relating to the administration of the emergency apportionment assistance and the activities of the FCMAT*, thereby imposing a state-mandated local program.

The bill would appropriate ~~\$10,000,000~~ *\$13,000,000* from the General Fund to the Superintendent of Public Instruction for apportionment as an emergency loan to the King City Joint Union High School District, and specify procedures for repayment of the loan. The bill would authorize the school district to sell property owned by the district and use the proceeds from the sale to reduce or retire the emergency loan, and would prohibit the district from being eligible for financial hardship assistance under the Leroy F. Greene School Facilities Act of 1998.

(2) This bill would make a legislative finding and declaration that the unique circumstances of the King City Joint Union High School District warrant the enactment of a special statute.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Providing a quality education that meets the unique needs
4 of King City public school pupils is a fundamental goal that should
5 not be jeopardized.

6 (b) On December 4, 2007, the Monterey County Office of
7 Education declared the King City Joint Union High School District
8 a “lack of going concern” and appointed a fiscal advisor to monitor
9 the operations of the district.

10 (c) The budget analysis conducted by the county office indicates
11 that the district is deficit spending, is unable to maintain its reserve
12 for economic uncertainty, and will have a negative fund balance
13 for at least the current and two subsequent fiscal years.

14 (d) The district is facing a fiscal and cash insolvency as a result
15 of organizational decisionmaking and the loss of an appeal for a
16 recent Public Employee Relations Board (PERB) ruling that
17 resulted in increased employee compensation costs and continued
18 deficit spending.

19 (e) The district is declining in enrollment, which is further
20 exacerbating its fiscal circumstances.

21 (f) The King City Joint Union High School District is projected
22 to run out of cash to support its routine operations and expenditures
23 by March 2009, and it will require an emergency appropriation
24 from the state in order to continue the delivery of educational
25 services to pupils enrolled in the district.

1 *SEC. 2. It is the intent of the Legislature to provide emergency*
2 *appropriation assistance to the King City Joint Union High School*
3 *District, and invoke the provisions of Article 2 (commencing with*
4 *Section 41320) of, and Article 2.5 (commencing with Section*
5 *41325) of, Chapter 3 of Part 24 of Division 3 of Title 2 of the*
6 *Education Code, except as otherwise provided in this act, in order*
7 *to restore the district to fiscal solvency.*

8 *SEC. 3. As provided in subdivision (b) of Section 41326 of the*
9 *Education Code, the Superintendent of Public Instruction shall*
10 *assume all legal rights, duties, and powers of the King City*
11 *governing board and shall appoint a state administrator, in*
12 *consultation with the county superintendent, to act on his or her*
13 *behalf in carrying out the requirements of Article 2 (commencing*
14 *with Section 41320) of, and Article 2.5 (commencing with Section*
15 *41325) of, Chapter 3 of Part 24 of Division 3 of Title 2 of the*
16 *Education Code. Notwithstanding subdivision (e) of Section 41326*
17 *of the Education Code, the authority of the Superintendent of*
18 *Public Instruction and the state administrator shall continue until*
19 *all of the following occur:*

20 *(a) (1) At any time after one complete fiscal year has elapsed*
21 *following the district's acceptance of a loan as described in*
22 *subdivision (a) of Section 41326 of the Education Code, the state*
23 *administrator determines, and so notifies the Superintendent of*
24 *Public Instruction and the county superintendent of schools, that*
25 *future compliance by the school district with the recovery plans*
26 *approved pursuant to paragraph (2) is probable.*

27 *(2) The Superintendent of Public Instruction may return power*
28 *to the governing board for any area listed in subdivision (a) of*
29 *Section 41327.1 of the Education Code, if performance under the*
30 *recovery plan for that area has been demonstrated to the*
31 *satisfaction of the Superintendent of Public Instruction.*

32 *(b) The Superintendent of Public Instruction has approved all*
33 *of the recovery plans referred to in subdivision (a) of Section 41327*
34 *of the Education Code, and the County Office Fiscal Crisis and*
35 *Management Assistance Team completes the improvement plans*
36 *specified in Section 41327.1 of the Education Code and has*
37 *completed a minimum of two reports identifying the school*
38 *district's progress in implementing the improvement plans.*

39 *(c) The state administrator certifies that all necessary collective*
40 *bargaining agreements have been negotiated and ratified, and*

1 *that the agreements are consistent with the terms of the recovery*
2 *plans.*

3 *(d) The school district has completed all reports required by*
4 *the Superintendent of Public Instruction and the state*
5 *administrator.*

6 *(e) The state administrator certifies that the members of the*
7 *school board and district personnel, as appropriate, have*
8 *successfully completed the training specified in subdivision (b) of*
9 *Section 7 of this act.*

10 *(f) The Superintendent of Public Instruction determines that*
11 *future compliance by the school district with the recovery plans*
12 *approved pursuant to subdivision (b) is probable.*

13 ~~SEC. 2. (a) It is the intent of the Legislature that the state~~
14 ~~administrator appointed pursuant to this act work with the staff~~

15 *SEC. 4. In addition to the implementation of subdivision (b)*
16 *of Section 41325 of the Education Code, it is the intent of the*
17 *Legislature that the Superintendent of Public Instruction, operating*
18 *through the appointed state administrator, do all of the following:*

19 *(a) Work with the staff and governing board of the King City*
20 *Joint Union High School District to identify the procedures and*
21 *programs that the district will implement during the 2008–09*
22 *school year and future school years that do all of the following:*

23 *(1) Significantly raise pupil achievement.*

24 *(2) Improve pupil attendance.*

25 *(3) Lower pupil dropout rate.*

26 *(4) Increase parental involvement.*

27 *(5) Attract, retain, and train a quality teaching staff.*

28 *(6) Manage fiscal expenditures in a manner that is consistent*
29 *with the current and projected revenues of the district.*

30 ~~(b) It is the intent of the Legislature that these identified~~

31 *(b) Analyze the identified procedures and programs be analyzed*
32 ~~*by the state administrator and, where applicable and appropriate,*~~
33 ~~*be protected, maintained, and expanded protect, maintain, and*~~
34 ~~*expand them as the budget of the district allows. The state*~~
35 ~~*administrator shall report any findings applicable to this section*~~
36 ~~*to the Superintendent of Public Instruction and the education*~~
37 ~~*committees of the Legislature.*~~

38 ~~SEC. 3. The Legislature finds and declares that, because of the~~
39 ~~fiscal emergency in which the King City Joint Union High School~~
40 ~~District finds itself, it is necessary that the Superintendent of Public~~

~~Instruction assume control of the district in order to ensure the return to the district of fiscal solvency. For this section, fiscal solvency shall be defined, at a minimum, as follows:~~

~~(a) The county superintendent finds that the district, in any given fiscal year after receipt of the state loan and for at least two subsequent years, demonstrates that revenues exceed expenditures in the district's general fund unrestricted budget.~~

~~(b) The county superintendent finds that district is able to maintain the minimum reserve for economic uncertainty for three consecutive years.~~

~~(c) The county superintendent determines that the district's general fund unrestricted fund balance is positive and has the potential to increase for three consecutive years.~~

~~(d) The county superintendent, after the application of a variety of criteria, finds that the district certification is at least qualified.~~

~~SEC. 4. (a) The Superintendent of Public Instruction shall immediately assume all of the rights, duties, and powers of the governing board of the King City Joint Union High School District.~~

~~(b) The Superintendent of Public Instruction, in consultation with the Monterey County Superintendent of Schools, shall appoint an administrator to act on behalf of the Superintendent of Public Instruction in exercising the authority described in this act. The Superintendent of Public Instruction or the state-appointed administrator may, on a short-term basis, employ at district expense any staff necessary to assist the administrator, including, but not necessarily limited to, a certified public accountant. The administrator shall have recognized expertise in management and finance. The administrator shall serve under the direction and supervision of the Superintendent of Public Instruction until terminated by the Superintendent of Public Instruction at his or her discretion. The Superintendent of Public Instruction shall consult with the Monterey County Superintendent of Schools before terminating or replacing the administrator. The Superintendent of Public Instruction, operating through the administrator, may do all of the following:~~

~~(1) Implement substantial changes in the fiscal policies and practices of the King City Joint Union High School District, including, if necessary, the filing of a petition under Chapter 9 of the federal Bankruptcy Act (11 U.S.C. Sec. 901 et seq.) for the adjustment of indebtedness of the district.~~

~~(2) Revise the educational program of the King City Joint Union High School District to reflect realistic revenue projections, in response to the dramatic effect of the changes in fiscal policies and practices upon educational program quality and the potential for the success of all pupils. To the extent allowed by district finances, it is the intent of the Legislature that the revised program maintain the core educational reforms that have led to districtwide~~

~~(c) To the extent allowed by district finances, maintain, under the revised program, core educational reforms that will lead to districtwide improvement of academic achievement, including, but not necessarily limited to, educational reforms targeting underperforming and Program Improvement schools and other reforms that have demonstrated measurable success.~~

~~(3) Encourage all members of the school community to accept a fair share of the burden of the fiscal recovery of the King City Joint Union High School District.~~

~~(4) Consult, for the purposes described in this act, with the governing board of the King City Joint Union High School District, the exclusive representatives of the employees of the district, parents, and the community.~~

~~(5)~~

~~(d) Consider for purposes of efficiency and cost containment an analysis of the unification of the King City Joint Union High School District with the King City Elementary School District, any other school district located within the general high school attendance area, or both.~~

~~SEC. 5. (a) (1) To facilitate the appointment of the state-appointed administrator and the employment of any necessary staff, for the purposes of this act, the Superintendent of Public Instruction is exempt from the requirements of Article 6 (commencing with Section 999) of Chapter 6 of Division 4 of the Military and Veterans Code and Part 2 (commencing with Section 10100) of the Public Contract Code.~~

~~(2) The Superintendent of Public Instruction shall establish salary and benefits of the administrator, which shall be paid by the King City Joint Union High School District.~~

~~(3) During the tenure of his or her appointment, the administrator, if otherwise an employee of the state or of the county superintendent, is an employee of the school district, but shall remain in the same retirement system under the same plan that is~~

1 provided by his or her employment with the state or the office of
2 the county superintendent. Upon the expiration or termination of
3 the appointment, the administrator shall have the right to return to
4 his or her former position, or to a position at substantially the same
5 level as that position, if that former position was with the state or
6 the office of the county superintendent. The time served in the
7 appointment shall be counted for all purposes as if the administrator
8 had served that time in his or her former position with the state or
9 with the office of the county superintendent.

10 (b) For the period of time during which the Superintendent of
11 Public Instruction exercises the authority described in subdivision
12 (a) of Section 4, the governing board of the King City Joint Union
13 High School District shall serve as an advisory body reporting to
14 the administrator, but has no rights, duties, or powers, and is not
15 entitled to nor shall it receive any stipend, benefits, or other
16 compensation from the district.

17 (c) Upon appointment of the state administrator, the district
18 superintendent of schools is no longer an employee of the district.

19 (d) Notwithstanding any other provision of law, the
20 administrator may, after according the employee reasonable notice
21 and opportunity for hearing, terminate the employment of any
22 deputy, associate, or assistant superintendent of schools, or other
23 person employed in an equivalent capacity, whose duties include
24 overseeing, managing, or otherwise directing the fiscal and
25 budgetary operations of the King City Joint Union High School
26 District, and who is employed by the King City Joint Union High
27 School District under a contract of employment renewed after the
28 effective date of this act if the employee fails to document, to the
29 satisfaction of the administrator, that before the effective date of
30 this act he or she either advised the governing board of the district,
31 or his or her superior, that actions contemplated or taken by the
32 governing board could result in the fiscal insolvency of the district
33 or took other appropriate action to avert that fiscal insolvency.

34 (e) With the approval of the Superintendent of Public Instruction,
35 the administrator may enter into agreements on behalf of the school
36 district and, subject to any contractual and statutory obligation of
37 the school district, change any existing school district rules,
38 regulations, policies, or practices as necessary for the effective
39 implementation of the improvement plan specified in Section 7 of
40 this act.

1 ~~(f) (1) For the fiscal year in which the apportionments are~~
2 ~~disbursed and for each fiscal year thereafter, the County Office~~
3 ~~Fiscal Crisis and Management Assistance Team (FCMAT) shall~~
4 ~~serve as the independent fiscal advisor to the state administrator~~
5 ~~as defined in paragraph (5) of subdivision (e) of Section 42127.6~~
6 ~~of the Education Code. The fiscal advisor shall do all of the~~
7 ~~following:~~

8 ~~(A) Assist the state administrator in the development of the~~
9 ~~multiyear financial recovery plan.~~

10 ~~(B) Develop and consistently update an independent multiyear~~
11 ~~financial projection of the district's budget.~~

12 ~~(C) Consult with the state administrator regarding any draw~~
13 ~~against the funds contained in the emergency appropriation.~~

14 ~~(D) Independently report on the fiscal health of the district at~~
15 ~~an interval that is consistent with the 1st and 2nd Interim Reporting~~
16 ~~periods as established in the Education Code.~~

17 ~~(2) The costs of the advisor shall be paid by the district to the~~
18 ~~extent that the advisor's costs exceed the amount appropriated for~~
19 ~~the FCMAT pursuant to schedule (9) of Item 6110-485 of Section~~
20 ~~2.00 of the annual Budget Act. The fiscal advisor shall remain in~~
21 ~~place until the fiscal solvency of the district has been achieved~~
22 ~~pursuant to the criteria identified in subdivisions (a) to (d),~~
23 ~~inclusive, of Section 3 of this act.~~

24 ~~(g) The authority of the Superintendent of Public Instruction~~
25 ~~and the administrator pursuant to this act shall continue until all~~
26 ~~of the following conditions occur:~~

27 ~~(1) Two complete fiscal years have elapsed following the~~
28 ~~appointment of the administrator or, at any time after one complete~~
29 ~~fiscal year has elapsed following that appointment, if the~~
30 ~~administrator determines, and so notifies the Superintendent of~~
31 ~~Public Instruction, that future compliance by the King City Joint~~
32 ~~Union High School District with the improvement plan specified~~
33 ~~in Section 7 of this act is probable.~~

34 ~~(2) The FCMAT completes the improvement plan specified in~~
35 ~~Section 7 of this act.~~

36 ~~(3) The FCMAT, after consultation with the administrator,~~
37 ~~determines that for at least the immediately previous six months~~
38 ~~the school district made substantial and sustained progress in~~
39 ~~implementation of the plans in the major functional area.~~

1 ~~(4) The administrator certifies that all necessary collective~~
2 ~~bargaining agreements have been negotiated and ratified and that~~
3 ~~the agreements are consistent with the terms of the improvement~~
4 ~~plan specified in Section 7 of this act.~~

5 ~~(5) The district completes all reports required by the~~
6 ~~Superintendent of Public Instruction and the administrator.~~

7 ~~(6) The administrator certifies that the members of the school~~
8 ~~board and district personnel, as appropriate, have successfully~~
9 ~~completed the training specified in subdivision (b) of Section 7 of~~
10 ~~this act.~~

11 ~~(7) The Superintendent of Public Instruction concurs with the~~
12 ~~assessment of the administrator and the FCMAT that future~~
13 ~~compliance by the King City Joint Union High School District~~
14 ~~with the improvement plan described in Section 7 of this act and~~
15 ~~the multiyear financial recovery plan described in paragraph (2)~~
16 ~~of subdivision (a) of Section 41327 of the Education Code is~~
17 ~~probable.~~

18 ~~(h) If all of the conditions specified in subdivision (e) occur,~~
19 ~~the governing board of the King City Joint Union High School~~
20 ~~District shall regain all of its rights, duties, and powers.~~

21 ~~(i) Notwithstanding subdivision (f), if the King City Joint Union~~
22 ~~High School District violates any provision of the improvement~~
23 ~~plan specified in Section 7 of this act, after the governing board~~
24 ~~of the school district regains all of its rights, duties, and powers~~
25 ~~pursuant to subdivision (f), the Superintendent of Public Instruction~~
26 ~~may reassume, in accordance with this section, all of the rights,~~
27 ~~duties, and powers of the governing board of the school district.~~
28 ~~The Superintendent of Public Instruction shall subsequently return~~
29 ~~to the governing board of the school district all of its rights, duties,~~
30 ~~and powers reassumed under this subdivision if he or she~~
31 ~~determines that the conditions of subdivision (e) are satisfied.~~

32 ~~(j) For the purposes of Article 2 (commencing with Section~~
33 ~~41320) and Article 2.5 (commencing with Section 41325) of~~
34 ~~Chapter 3 of Part 24 of the Education Code, the administrator is~~
35 ~~a public school employer within the meaning of the Educational~~
36 ~~Employment Relations Act (Chapter 10.7 (commencing with~~
37 ~~Section 3540) of Division 4 of Title 1 of the Government Code).~~

38 ~~SEC. 6. (a) The administrator shall consider, on a monthly basis,~~
39 ~~or more frequently if so desired by the administrator, information~~
40 ~~from one or more groups from each of the following categories:~~

1 ~~(1) The governing board of the school district.~~
2 ~~(2) Any advisory council of the school district.~~
3 ~~(3) Any parent-teacher organization of the school district.~~
4 ~~(4) Representatives from the community in which the school~~
5 ~~district is located.~~

6 ~~(5) The County Office Fiscal Crisis and Management Assistance~~
7 ~~Team.~~

8 ~~(b) The state appointed administrator shall prepare or obtain the~~
9 ~~following reports and plans:~~

10 ~~(1) A management review and recovery plan.~~
11 ~~(2) A multiyear financial recovery plan. The multiyear financial~~
12 ~~recovery plan shall include the development of an initial plan not~~
13 ~~later than six months after the district's receipt of any proceeds~~
14 ~~from the emergency appropriation. The multiyear financial~~
15 ~~recovery plan shall include a plan, updated and submitted thereafter~~
16 ~~annually on or before July 1, to repay to the state any and all loans~~
17 ~~owed by the district.~~

18 ~~SEC. 7. (a) On or before November 1, 2009, the County Office~~
19 ~~Fiscal Crisis and Management Assistance Team (FCMAT) shall~~
20 ~~conduct a comprehensive assessment and prepare an improvement~~
21 ~~plan for the King City Joint Union High School District~~
22 ~~incorporating the following five operational areas:~~

23 ~~(1) Financial management.~~
24 ~~(2) Pupil achievement.~~
25 ~~(3) Personnel management.~~
26 ~~(4) Facilities management.~~
27 ~~(5) Community relations.~~

28 ~~(b) The Superintendent of Public Instruction may consider the~~
29 ~~comprehensive assessment conducted by the FCMAT to meet the~~
30 ~~requirement for the management review and recovery plan~~
31 ~~identified in paragraph (1) of subdivision (b) of Section 6 of this~~
32 ~~act.~~

33 ~~SEC. 5. (a) The County Office Fiscal Crisis and Management~~
34 ~~Assistance Team (FCMAT) shall, with concurrence from the~~
35 ~~Superintendent of Public Instruction, do all of the following:~~

36 ~~(1) Provide assistance to the state administrator in the~~
37 ~~development of the first annual multiyear financial recovery plan~~
38 ~~required under paragraph (2) of subdivision (a) of Section 41327~~
39 ~~of the Education Code.~~

1 (2) *Provide assistance to the state administrator in the*
2 *development of the adopted budget and interim reports.*

3 (3) *Recommend to the Superintendent of Public Instruction any*
4 *studies or activities that should be undertaken by the state*
5 *administrator to enhance revenue or achieve cost savings.*

6 (4) *Provide any other assistance as described in Section 42127.8*
7 *of the Education Code.*

8 (b) *The district shall bear 100 percent of all costs associated*
9 *with implementing Article 2.5 (commencing with Section 41325)*
10 *of Chapter 3 of Part 24 of Title 2 of the Education Code, including*
11 *the activities of the FCMAT. The FCMAT's assistance under this*
12 *section shall continue until the district is certified as positive*
13 *pursuant to the definition in paragraph (1) of subdivision (a) of*
14 *Section 42131 of the Education Code, or until all legal rights,*
15 *duties, and powers are returned to the board, whichever comes*
16 *first.*

17 SEC. 6. *For the purposes of Article 2 (commencing with Section*
18 *41320) of, and Article 2.5 (commencing with Section 41325) of,*
19 *Chapter 3 of Part 24 of Division 3 of Title 2 of the Education Code,*
20 *the administrator is a public school employer within the meaning*
21 *of the Educational Employment Relations Act (Chapter 10.7*
22 *(commencing with Section 3540) of Division 4 of Title 1 of the*
23 *Government Code).*

24 SEC. 7. (a) *The Superintendent of Public Instruction may*
25 *consider the comprehensive assessment conducted by the County*
26 *Office Fiscal Crisis and Management Assistance Team (FCMAT)*
27 *pursuant to Section 41327.1 of the Education Code to meet the*
28 *requirements for the management review and recovery plan*
29 *identified in paragraph (1) of subdivision (a) of Section 41327.1*
30 *of the Education Code.*

31 ~~(e)~~

32 (b) *The improvement plan for personnel management specified*
33 *in paragraph (3) of subdivision (a) shall include, but not of Section*
34 *41327.1 of the Education Code shall include, but not necessarily*
35 *be limited to, the following training:*

36 (1) *Training for members of the governing board of the school*
37 *district in the subjects about which members of the governing*
38 *board need to have knowledge to effectively discharge their duties*
39 *as board members, with specific training in the fiduciary*
40 *responsibilities of a governing board member and in the financial*

1 management practices necessary for governing board members to
2 effectively discharge their duty to oversee and monitor the budget,
3 accounting practices, revenues, and expenditures of the school
4 district. At a minimum, each board member shall participate in the
5 Masters In Governance training provided by the California School
6 Boards Association. The cost for this training shall be borne by
7 the district.

8 (2) Training for ~~the superintendent of the school district and all~~
9 personnel with management, policymaking, and advisory
10 responsibilities who report or would report directly to the
11 ~~superintendent~~ *state administrator*, to ensure they have the
12 knowledge and skills to effectively administer their areas of
13 responsibility consistent with sound fiscal practices and the
14 budgetary requirements of the school district.

15 ~~(d) Based upon progress reports prepared pursuant to subdivision~~
16 ~~(e), the FCMAT shall recommend to the Superintendent of Public~~
17 ~~Instruction those designated functional areas of school district~~
18 ~~operation that it determines are appropriate for the governing board~~
19 ~~of the school district to assume.~~

20 ~~(e) Commencing 30 days following the effective date of this~~
21 ~~act and in January 2010, and each six months thereafter until~~
22 ~~January 2011, the FCMAT shall file a written status report with~~
23 ~~the appropriate fiscal and policy committees of the Legislature,~~
24 ~~including any special committees created for the purpose of~~
25 ~~reviewing the reports, and with the Members of the Legislature~~
26 ~~who represent the King City Joint Union High School District, the~~
27 ~~advisory board of the school district, the Superintendent of Public~~
28 ~~Instruction, the Director of Finance, and the Secretary for~~
29 ~~Education. The reports shall include an updated multiyear financial~~
30 ~~projection and analysis of the progress that the King City Joint~~
31 ~~Union High School District is making in meeting the~~
32 ~~recommendations of the improvement plan developed pursuant to~~
33 ~~this section.~~

34 *(c) Notwithstanding the timelines in subdivision (d) of Section*
35 *41327.1 of the Education Code, after the first written status report,*
36 *FCMAT shall file subsequent reports annually thereafter as*
37 *determined by the Superintendent of Public Instruction.*

38 SEC. 8. ~~(a) The King City Joint Union High School District~~
39 ~~shall bear 100 percent of all costs associated with implementing~~
40 ~~this act.~~

1 ~~(b) The King City Joint Union High School District shall add~~
2 ~~the administrator as a covered employee of the school district for~~
3 ~~all purposes of errors and omissions liability insurance policies.~~

4 ~~SEC. 9. (a) The sum of ten million dollars (\$10,000,000) is~~

5 *SEC. 8. (a) The sum of thirteen million dollars (\$13,000,000)*
6 *is hereby appropriated from the General Fund to the Superintendent*
7 *of Public Instruction for apportionment to the King City Joint*
8 *Union High School District for the purpose of an emergency loan.*
9 *In order to qualify for the loan, the district shall comply with*
10 *Article 2 (commencing with Section 41320) and Article 2.5*
11 *(commencing with Section 41325) of Chapter 3 of Part 24 of*
12 *Division 3 of Title 2 of the Education Code to the extent those*
13 *provisions are consistent with the conditions specified in this act.*

14 *(b) Funds may be disbursed from the proceeds of the loan only*
15 *if the administrator and the County Office Fiscal Crisis and*
16 *Management Assistance Team jointly determine that the*
17 *disbursement is necessary to support the immediate cashflow needs*
18 *of the district.*

19 *(c) Based on the needs of the district to meet its obligations, the*
20 *Superintendent of Public Instruction may direct the Controller to*
21 *disburse, on a monthly basis, specific amounts of the emergency*
22 *loan before the approval of all of the conditions established by this*
23 *act.*

24 *(d) For the fiscal year in which the loan moneys are disbursed*
25 *and each fiscal year thereafter, the county superintendent of schools*
26 *shall cause an audit to be conducted of the books and accounts of*
27 *the district, that is consistent with the audit required by Section*
28 *41020 of the Education Code. At the discretion of the county*
29 *superintendent, the audit may be conducted by the Controller, or*
30 *an auditor selected by the county superintendent and approved by*
31 *the Controller from the directory of certified public accountants*
32 *and public accountants deemed by the Controller to be qualified*
33 *to conduct audits of local educational agencies, as provided in*
34 *paragraph (1) of subdivision (f) of Section 41020 of the Education*
35 *Code. The costs of the audit shall be paid by the district. The audits*
36 *shall be performed until the Superintendent of Public Instruction,*
37 *in consultation with the county superintendent, determines that*
38 *the district is financially solvent, but may not cease being*
39 *performed earlier than one year following the implementation of*

1 the plan required by Section 7 nor later than the time the emergency
2 loan, including interest, is repaid.

3 ~~SEC. 10. (a) Notwithstanding subparagraph (A) of paragraph~~
4 ~~(2) of subdivision (a) of Section 41327 of the Education Code, the~~

5 *SEC. 9. (a) The King City Joint Union High School District*
6 *shall repay the emergency loan incurred pursuant to Section 9 8*
7 *of this act as a straight line loan amortized over a 20-year term.*
8 *This amount shall be repaid by the district, plus interest calculated*
9 *at a rate equal to the rate earned by the Pooled Money Investment*
10 *Account on the date this act becomes effective, for a period not to*
11 *exceed 20 years.*

12 (b) If a required payment is not made within 60 days after a
13 scheduled date, the Controller shall pay the defaulted loan payment
14 of principal and interest by withholding that amount from the next
15 available payment that would otherwise be made to the county
16 treasurer on behalf of the district pursuant to Section 14041 of the
17 Education Code. However, subject to the approval of the
18 Department of Finance, the amount withheld may be in monthly
19 amounts as determined by an agreement between the King City
20 Joint Union High School District and the Controller during the
21 period beginning with the next available apportionment through
22 the month preceding the next scheduled payment.

23 (c) The school district shall enter into a lease financing with the
24 California Infrastructure and Economic Development Bank for
25 the purpose of financing the emergency apportionment, including
26 a repayment to the General Fund of the amount advanced pursuant
27 to Section 9 8. In addition to the emergency apportionment, the
28 lease financing may include funds necessary for reserves,
29 capitalized interest, credit enhancements and costs of issuance.
30 The bank shall issue bonds for that purpose pursuant to the powers
31 granted pursuant to the Bergeson-Peace Infrastructure and
32 Economic Development Bank Act as set forth in Division 1
33 (commencing with Section 63000) of Part 6.7 of the Government
34 Code. The term of the lease shall not exceed 20 years, except that
35 if at the end of the lease term any rent payable is not fully paid, or
36 if the rent payable has been abated, the term of the lease shall be
37 extended for a period not to exceed 10 years.

38 (d) The Director of Finance may amend the payment schedule
39 set forth in subdivision (a) if the director concludes that the
40 amendment is warranted and is in the best interests of both the

1 state and the King City Joint Union High School District education
2 program. Upon that determination, the director shall notify the
3 Joint Legislative Budget Committee that the payment scheduled
4 will be changed on the date that is 90 days from the date of
5 notification if the Legislature is in session. If the 90-day period
6 ends during a recess of the Legislature or while the Legislature is
7 not in session, the 90-day period shall be extended until the
8 Legislature reconvenes. Amendments to the payment schedule
9 shall defer the unpaid portion of a repayment of the earliest fiscal
10 year in which no other repayment is scheduled. Interest shall accrue
11 on the unpaid portion of a repayment from the scheduled due date
12 until the time the payment is actually made. The interest charge
13 shall be the rate equal to the daily investment rate of the Pooled
14 Money Investment Account on the date the pay schedule is
15 changed.

16 (e) The school district may repay its loan obligation without
17 incurring any prepayment penalties.

18 ~~SEC. 11.~~

19 *SEC. 10.* (a) Notwithstanding Sections 17456, 17457, 17462,
20 and 17463 of the Education Code, or any other law, from June 1,
21 2009, to June 30, 2012, inclusive, the King City Joint Union High
22 School District may sell property owned by the district and use
23 the proceeds from the sale to reduce or retire the emergency loan
24 provided in Section 9 8 of this act. The sale only of property
25 pursuant to this subdivision is not subject to Section 17459 or
26 17464 of the Education Code.

27 (b) Notwithstanding any other provision of law, from June 1,
28 2009, to June 30, ~~2011~~ 2014, inclusive, the King City Joint Union
29 High School District is not eligible for financial hardship assistance
30 pursuant to Article 8 (commencing with Section 17075.10) of
31 Chapter 12.5 of Part 10 of Division 1 of Title 1 of the Education
32 Code.

33 ~~SEC. 12.~~

34 *SEC. 11.* The Monterey County Superintendent of Schools
35 maintains the responsibility to superintend school districts under
36 its jurisdiction. This act does not remove any statutory or regulatory
37 rights, duties, or obligations from the county superintendent of
38 schools.

~~SEC. 13.~~

SEC. 12. The Legislature finds and declares that due to unique circumstances relating to the fiscal emergency in the King City Joint Union High School District a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution.

~~SEC. 14.~~

SEC. 13. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district are the result of a program for which legislative authority was requested by that local agency or school district, within the meaning of Section 17556 of the Government Code and Section 6 of Article XIII B of the California Constitution.

~~SEC. 15.~~

SEC. 14. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to address the fiscal emergency in which the King City Joint Union High School District finds itself, and to ensure that it meets its cash obligations for this fiscal year, it is necessary that this act take effect immediately.